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Discount Store News®

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Economy Affects Perks; Prexies, CEOs Hit Hardest

NEW YORK—The third biannual study of executive perquisites in discount department store chains, conducted recently by the National Mass Retailing Institute (NMRI), has shown changes that reflect the economic difficulties of the nation as a whole.

These include a rise in the mileage allowance for use of a personal car; growth in the number of dental plans offered; standardization of pension plans, and a reduction in the number of firms that allow first-class air travel for their top executives.

Top-level headquarters personnel were able to book first-class seats on business trips last year at 37% of the chains responding to the NMRI survey. This year (in which the survey drew a response rate of more than 90% of the NMRI membership), that figure is down to just 14% of the companies responding—and then only for the chief executive officer or president. Lower-level senior management at headquarters was allowed first-class seats in 9% of the companies, and the percentage dropped to zero for the lowest-level headquarters personnel.

Presidents and chief executive officers, as a group, showed lower levels of perks in more than half of the 52 categories measured. That may reflect, in part, a larger sampling this year, but it also probably reflects the tough year retailers have had, and corporate efforts to effect savings in some expensive fringe compensation areas.

Top-level merchandising executives, however, fared better in 1981 than their bosses. Many perks were offered by more firms this year than last, and reductions in the number of companies reporting others were less severe than among the presidents and ceo's. This is apparently the result of the renewed emphasis, generally in 1981, on the importance of the merchandising staff.

Dental insurance, for example, is offered across the board (top merchandising executives, general merchandise managers, category merchandise managers and buyers) on the merchandising side by more chains than ever—23% of the companies for each group except category merchandise managers, where 16% of the companies report offering a dental plan.

(Company-paid plans, however, are only offered for merchandisers by 19% of the respondents—14% in the case of category merchandise managers.)

Among store-level personnel—store managers and as-

(Continued on page 55)

Fitness Mania to Spur Sporting Goods Beef-up

By Betty J. Taylor

NEW YORK—Discounters attending the Sporting Goods Manufacturers Association (SGMA) fall show here said they will continue to beef up their departments—especially assortments and price points in wearables and accessories—in 1982, to keep up with the country's physical fitness mania which has brought fashionability to their department.

Exercise equipment also continues to generate excitement. Many discounters reported trading up in price points and expanding sections of exercise bicycles and boxing equipment. Generating some interest at the show was a new trampoline-jogger.

A Step Forward

Although buyers found few new products here in the New York Coliseum, spirits were buoyed by new packaging and presentation, especially in accessories and lawn games. New details and fabrications and more emphasis on licensee logos in roll bags, day and back packs and wearables were also cause for excitement among

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At SGMA Show: Bradlees' Richard Casey (r.), Vin Black (c.), and Jon Shaw. *(DSN photo)*

Brass Restructuring Almost Complete At Jefferson/Ward as Jolosky Joins Up

MIAMI—The new management structures for Jefferson/Ward and for its parent Montgomery Ward were being fleshed out further at presstime.

At Jefferson/Ward, Richard Jolosky was appointed to the newly created post of senior vice president and general merchandise manager for soft lines. He had been Wal-Mart's vp and gmm for soft lines and domestics.

Jolosky's appointment left one key post, senior vp and gmm for hard lines, still vacant at presstime.

The appointment came as Joyce Black resigned as senior vp, soft lines. She had been one of the few remaining Jefferson/Ward executives whose service predated the advent of the discounter's management realignment being engineered by Stephen Pistner, president of Montgomery Ward. (See *DSN*, Sept. 21, P. 1.)

Meanwhile, at Montgomery Ward, Pistner completed the restructuring of the retailer's top merchandising staff, naming three executives to the newly created post of senior vp and gmm.

Those appointments were announced simultaneous to Bob Harrell, executive vp, merchandising, turning in his resignation for personal, family reasons. He had been the retailer's top merchandising executive.

Ira Quint, who had been assistant to the executive vp, merchandising, was promoted to senior vp and gmm for soft lines.

John C. McGivern was advanced from vp and divisional merchandise manager to senior vp and gmm for auto, home entertainment and major appliances.

Marvin Stern joined Montgomery Ward from Sears and fills the post of senior vp and gmm for hard lines. Stern had been with Sears for more than 20 years, most recently as national merchandise manager for major appliances.

'Billionaire' Best Boosts Fiscal-Year's Net 12%

RICHMOND—Best Products' exceptionally strong fourth quarter pushed the cataloger past the $1 billion sales mark and also boosted earnings by 12%.

Sales in the fiscal year ended June 27 were $1,002,037,000, up 19% from $841,803,000, while net earnings went to $24,274,000 from $21,676,000.

Company executives, however, concerned about the state of the economy and high interest rates, have committed the cataloger to only three new full-line showrooms in 1982, a sharp drop from the average of 10 a year opened during the past half decade.

President Andrew Lewis told *DSN* that for the first time the cataloger was actively interested in recycling closed stores. The availability of such units could prompt Best to open more than the planned trio.

The full-line, 65,000-sq.-ft. units set for El Paso, Tex., and Ventura and Pinole, Calif., will follow the format of Best's radical new showroom opened two months ago in Montgomeryville, Pa. (see *DSN*, Oct. 5, p. 1).

Recycled stores, particularly if they are small units, would follow the scaled-down, 40,000-sq.-ft. showroom prototype opened at presstime in Plano, Tex. This unit is the first satellite showroom in the Dallas market, where Best already has a half-dozen full-line stores.

Lewis, in a presentation to financial and investment executives in New York, noted that Best showrooms were maturing in about 1½ years, the fastest rate ever for the company. Volume during a showroom's first year was also much higher, he said, as the cataloger became better known in its markets and supported new units with more advertising.

The maturing of the 20 showrooms opened during the past two years, and greater consumer awareness of Best combined to boost the cataloger's sales in the fourth quarter ended June 27 by 33.8% and to produce a $6,293,000 profit as against a $111,000 loss in the period in 1980.

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Two Guys Store-Closings Snowball; Next: 12 in Upstate N.Y., 3 in Pa.

GARFIELD, N.J.—In a long-awaited move, Vornado, parent of Two Guys, announced at presstime that it was closing 15 of the chain's 43 remaining stores, including 12 in upstate New York and three in Pennsylvania.

A week earlier the chain had announced that it would close its three Connecticut stores and a fourth unit in Aflantic City. At presstime, no closing plans had been announced for the chain's five Maryland stores or two remaining Pennsylvania stores—Bethlehem and Lancaster. It seemed unlikely that those stores, the chain's last remaining non-New Jersey locations, would remain in operation much beyond the first of the year.

In a first round of closings this summer, the chain shuttered its three Massachusetts stores in Chicopee, Milford and

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Tried-and-True Methods Still Powerful, Two Speakers Remind AGMC Convention

WEST PALM BEACH, Fla.—Retailers attending the 33rd annual convention of the Association of General Merchandise Chains (AGMC) at the Breakers Hotel here were reminded by two speakers that old tried-and-true methods and strategies are still powerful.

"The 1980's are tailor-made for entrepreneurs," was the message for AGMC members from Bert C. McCammon Jr., director of the distribution research center at the University of Oklahoma's College of Business Administration. He quoted General George Patton ("A good plan, violently executed now, is better than a perfect plan next week") as he encouraged the audience to meet the competitive realities of the 1980's (escalation of price competition, the concentric impact of competitive strategies and the downside pressure from intercept competitors) with "power retailing" and "high performance management."

The "concentric impact" concept refers to the complex inter-relations between general merchandise retailers. The example cited by McCammon referred to super drug stores, which may install a strong DIY department, affecting home centers in the market who then strengthen their lighting department to increase their share of that market, which affects the lighting specialists in the market, who may counter by installing a home decor assortment—which ultimately affects department stores in the market, who may have to improve their lamp department to compete.

"Intercept" competition is McCammon's expression for the limited assortments offered by nonstore retailers, off-price merchandisers and the like who may add enough of a selection to reduce the profitability of the full-line store in the same market by siphoning off some sales.

McCammon's message included his warning of the fragmented consumer—he refers to the phenomenon as "segmentation," calling any market a "series of submarkets," defined by "distinctive lifestyles."

McCammon went on to warn about new competition in the market—super specialty stores, with a tight product focus and equally tight market focus, and the "new generation of mass merchandisers," including Mervyn's, Toys "R" Us, Service Merchandise, and others.

McCammon pointed out a "new performance imperative," his term for the need to grow in volume and profits at a rate which *exceeds* the impact of inflation to achieve real growth, and called the 1980's the "era of the consummate strategist." He compared retail strategy to the military strategy matrix, in which "pre-emptive warfare" (one of four defined kinds of warfare in the matrix) is the equivalent of pre-empting a competitor's grab for more mar-

(Continued on page 58)

Psychographic Profile of General Merchandise Customers in Most Metro Markets

Customer Segment	Shopping Orientation	Store Preference	Demographics and Lifestyle	Growth Potential
Blue Collar-Traditional (14.1%)	Directional, Inflation-Impacted Shoppers	Discount Dept., Specialty Mass Mdsers., National Chains	Blue Collar Lifestyle	Low/Mod.
New Conformist (19.4%)	Assured, Fashion-Involved	Spec. Stores, Dept. Stores	New Conformist Lifestyle	High
White Collar Traditional (21.3%)	Aggressive, Smart Shoppers	Limited Store Loyalty—Shops Departments	Middle-America Lifestyle	Low/Mod.
Retreating Customers (10.7%)	Expedient, Risk-Avoiding Shoppers	National Chains, Dept. Stores	Traditional Lifestyle	Low/Mod.
Creative Customers (19.3%)	Eclectic, Self-Confident	Limited Store Loyalty—Shops Departments	Active, Autonomous Lifestyle	High
Transitional Customers (15.2%)	Exploratory, Price-Driven	Discount Stores, Spec. Disc. Stores, National Chains	Upwardly Mobile Lifestyle	High

The chart shown by Bert C. McCammon Jr. at the annual AGMC meeting divided consumers into six psychographic groups by lifestyle, each group requiring a different strategic approach. A chain that targets the retreating customer, for example, is targeting the smallest group in numbers, generally a lower-income group, and one which shops primarily by habit and convenience. "That's not a strategy, that's a sentence," said McCammon.

Source: Distribution Research Program, University of Oklahoma.

Bill Would Choke Off Most IRBs, Hurt K mart

WASHINGTON—Key Congressional Democrats have made good on their threat to introduce specific legislation aimed at choking off most Federally subsidized Industrial Revenue Bond (IRB) financing for expansion-minded chains, including discounters.

The bill, sponsored by Rep. Charles Rangel (D-N.Y.), would prohibit states and municipalities from issuing low-interest IRBs for the development of retail stores or other commercial businesses except for those scheduled for "economically disadvantaged" areas.

Although the legislation would pack a potential impact for a broad range of businesses, the prime thrust of the proposal is directed at K mart. Over the past five years the nation's largest discounter has systematically applied for and obtained below-market Industrial Revenue Bond financing to underwrite much of the chain's aggressive store expansion drive.

Since the 1970's, K mart has obtained well over $200 million worth of state and local Industrial Revenue Bond financing to construct some 100 discount stores across the country.

IRB critics, including many within the retail industry, have been pressuring Congress for years to place a limit on the availability of these tax-subsidized bonds to mass merchandisers, arguing that K mart and other chains should not receive Federal subsidies to compete with existing establishments.

Since IRBs are sponsored by state and local governments, interest to purchasers of the bonds is free from Federal income taxes. As a result, the interest rates on IRBs average considerably below market levels—a feature that has made these bonds particularly attractive to chains during tight money periods.

Although Rangel's bill has drawn support from key Democrats on the House Ways and Means Committee, the main concern among IRB proponents is that the Reagan Administration may endorse the proposed retail industry restrictions for budget purposes.

Reportedly, top Reagan budget officials, including chief Administration cost-cutter David Stockman, are deeply concerned over the increasing tax revenue drain caused by IRB issues.

As early as 1960, the total Federal tax loss resulting from all Industrial Revenue Bonds was estimated at $100 million by the Congressional Budget

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Apollo Sells Apparel Depts., Inventory To Belscot; Will Run Hard Lines Again

NEW YORK—Apollo Merchandising has sold its apparel departments along with its entire RTW (ready-to-wear) inventory in its six remaining stores to Belscot Retailers Inc., an apparel department lessee.

At the same time, the company will retake control of its hard lines departments which had previously been leased to Rix and National Hardgoods. Despite the broader margins carried by apparel department goods, the company expects the lessee exchange to be more profitable, acording to a company executive.

Along with the internal reorganization, the company is changing its name to Apollo Department Stores and relaying the stores: Health and beauty aids, for example, will now be found along with jewelry in

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Spotlight on: Chicago

New Zayre Adapts to That Toddling Town

Zayre stocked rabbit-fur coats and jackets (not shown) to lure fashion-conscious Chicago shoppers into its new store at 47th and Halstead. According to a chain spokesman, the 90,000-sq.-ft. former Community Family Center is "destined to become a $17 million to $18 million store." *(DSN photo)*

In This Issue...

AUTO-BIOGRAPHY. *DSN*'s special APAA section reports that automotive buyers are bullish. (Pp. 17-36)

CAUTION. PMAs show that housewares and electrics buyers are adding few new items. (Pp. 42-47)

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Zodys Makes a Triple Bow in New Market Area: Sacramento

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dollars it invests in that category in southern California.

For its new Greenback Lane store, the farthest north, and about 60 miles from Lake Tahoe, the company expects to add skiwear—a category not found in other Zodys units.

Since the average Zodys prototype is 80,000 sq. ft., all the departments in the three stores were pared about 12% to 13% to fit into the smaller spaces, Solomon said. The normal racetrack traffic pattern in the units and the entrance configuration direct the full-line discount store customer into apparel, a major emphasis for Zodys.

A slight modification in layout and a change in the major appliance adjacency were adopted to fit the deep and narrow layout of the building.

The major appliance department, which is normally centered on the back wall, was shifted to the far left corner because of pre-existing walls and offices in the back-up area immediately behind the center back wall. Their presence made it impractical for the chain to carve out its usual television display area there. That shift pushed the toy department, normally located in the far left corner, further out along the far left side wall.

In the past few months, Zodys has experimented with orange/red vinyl floor tiles—instead of carpeting—in the apparel areas.

While both the vinyl tiles and carpeting cost about the same to install, Solomon said maintenance costs are double for carpeted floors. Each new store will be evaluated, based on type and amount of traffic expected, to determine whether carpeting or tiles will be used.

With these three units, about 360 miles north of its Los Angeles headquarters, Zodys eliminated its grandiose grand opening policy, including ribbon-cutting ceremonies, speeches and celebrities. Solomon said that by just opening the stores, the chain expects to eliminate the large crowds flooding the doors prior to the store opening and distribute that traffic more evenly throughout the day, thereby improving overall customer service.

Zodys pared all departments in its new Sacramento-area stores by 10% to 15% to fit them into the 70,000-sq.-ft. former Gold Circles the chain bought this summer.

Executive Perks Are Reduced

(Continued from page 1)
sistant managers—there was an almost uniform reduction in the number of companies reporting perquisites. Some perks, however, were expanded to include assistant managers—profit sharing, for example, is offered for assistant managers by 40% of the respondents, up from 31% last year.

Sharp reductions at store level were reported in the provision of long-term disability insurance (58% of the store managers, and 49% of the assistants, down from 74% and 66% respectively); company-paid life insurance (33% for managers, 28% for assistants, down from 50% for both); vacation pay in lieu of time off (halved to 9% of the responding companies, from 18% two years ago), and assumption of the financial loss that may result from the sale of a transferred store manager's primary home (9% of store managers this year compared to 18% two years ago, and 7% for assistants this year, down from 18%).

There was also a reduction in the number of companies offering nonsalary relocation bonus payments for transferred store managers—just 9% this year, compared to 21% two years ago.

Specific questions asked all the respondents, and tabulated for the entire group of executives at all levels, included vacation policies, Sunday compensation plans, gas mileage reimbursement, post-retirement benefits and "others," not included on the NMRI survey.

One-week vacations after less than six months employment were offered by only 3% of the respondents, compared to 13% two years ago. Two-week vacations after one year are offered by 40% of the respondents, down from 45% in the last survey. But, three-week vacations are now offered by 44% of the respondents after five years—up from the last survey, when only 38% of the respondents allowed three weeks off after five years.

Sunday compensation is offered by 17% of the respondents, up from 10% in the last survey, and holiday compensation is also up to 29% of the companies responding from 17% two years ago.

Almost all respondents pay a mileage allowance—98%, ranging from 10¢ a mile to 25¢—with the largest group at 20¢ a mile (34% of the companies that pay an allowance).

Post-retirement benefits (discounts, medical insurance, life insurance and others) are offered by 20% of the companies surveyed, up from 16% two years ago, and more companies (11%, up from 2%) report a cafeteria operation for the employees' benefit.

The third executives perquisites study is available from the NMRI, 570 Seventh Ave., New York, N.Y. 10018. The first copy is free to NMRI members, but additional copies are $30 each. Nonmember firms are charged $40 a copy, whatever the quantity.

Perks Pared

Perquisite/Benefit	CEO/ President 1979	1981
Paid Medical Coverage	83%*	84%*
Paid Family/Medical	75	70
Dental Insurance	35	30
Paid Dental Plan	28	16
Rx Drug Plan	51	35
Paid Annual Physicals	64	51
Optical Plan	24	16
Paid Life Insurance	66	63
Paid Leave of Absence	27	26
Interest-Free Loans	9	0
Low-Interest Loans	7	7
Assumption of Liability for Financial Loss from Sale of a Primary Home	22	14

**Per cent of chains polled compensating their ceo/president with the perquisites listed.*

In some of the perquisites measured for chief executive officers and presidents, shown above, the effects of corporate cost-cutting can be seen in the reductions of some benefits associated with high costs.

Solar Home Unit Makes 1st Retail Bow

HACKENSACK, N.J.—The Bloomingdale's store here is offering a solar home heating unit, and is reportedly the first retailer to do so.

Solar Heat Conditioner, manufacturer of the American Solar Heat Conditioner, designed the 47-lb. unit as an entire room heater which is installed like an air-conditioner. A solar collector hangs outside, below a window, and an electrical fan draws hot air into the room.

For the first week of sale, Bloomingdale's had the unit on view in five store locations. Units may now be found on display in the radio/TV department.

IRBs

(Continued from page 2)
Office.

This year, budget office economists contend IRBs will drain more than $1 billion from the Federal Treasury, and by 1986 these tax-free bonds could reduce total Government revenues by as much as $2.9 billion.

On the other side, IRB advocates contend that these projections do not take into account the likely Federal revenue gains created by the additional business activity resulting from new retail stores and factories constructed by bond issues.

For their part, retail industry lobbyists maintain that any attempt to restrict the availability of IRBs to the commercial sector would not only be discriminatory, but also would likely backfire by depriving state, and Federal governments of additional tax revenues from increased employment levels.

Despite these arguments, officials on the Ways and Means Committee told *Discount Store News* that some new restrictions on IRBs are likely to clear Congress during the next session.

"There's a strong sentiment here for turning off these subsidies to large corporations, particularly discount chains and fast-food restaurants which probably would expand their operations with or without reduced-interest Industrial Revenue Bond financing," one committee aide said.

Although the Reagan Administration had taken no formal position on the issue at presstime, Treasury Secretary Donald Reagan has suggested that some sort of "cap" needs to be placed on the availability of these bonds.

Month's Sales at Zayre Increase Nearly 10%

FRAMINGHAM, Mass.—Sales at Zayre rose 9.7% in August, from $124,403,000 in 1980 to $136,526,000 this year.

For the 30 weeks ended Aug. 29, 1981, sales were up 16.3% from $787,890,000 to $916,602,000 in 1981.

Wickes Converts 5 Tempo Units

SAN DIEGO—Wickes has converted five of its northern California Tempo discount stores to Builders Emporium units.

Wickes, which acquired the Tempo chain about a year ago with the purchase of Gamble-Skogmo, decided to close the Tempo stores in order to "deploy its assets in more profitable businesses."

In addition to the five Sacramento, Calif., stores that have been remerchandised and renovated into Builders Emporiums, a "few" other Tempo units will become Gamble stores.

Two Guys

(Continued from page 1)
Springfield.

Since its takeover more than a year ago by Interstate Properties, a privately held New Jersey real estate developer, rumors had abounded that the once-powerful discounter would be sold off, a site at a time, for its real estate holdings.

For the first half of the current fiscal year ended Aug. 1, the chain posted an aftertax net loss of $17,943,000 on sales of $253,192,000. A year ago, the chain also finished the half in the red with a $4,906,000 loss on sales of $274,939,000.

No buyers for any of the closed locations had been announced at presstime. Vornado and Two Guys officials were unavailable for comment.

Memco Unveiled

BUENA PARK, Calif.—Gemco/Memco opened a new 73,000-sq.-ft. Memco store in Oxon Hill, Md.

It opened at 990 E. Swan Creek Road and Indian Head Highway next door to the Old Forte Village Shopping Center.

Apollo

(Continued from page 2)
glass-countered departments with separate registers.

In addition, the company will trim sizes of its three largest stores, to further save on rent. One store in Milwaukee and two in Detroit will be pared down to 55,000 sq. ft. from 80,000.

The executive said the company was still in the process of restaffing its New York office and that no buyers have been hired for the health and beauty aids, stationery, housewares, hardware or automotive departments.

Microwave Ovens 'In'; Air-Conditioners Off

CHICAGO—July 1981 factory unit shipments of 2,682,800 major home appliances dropped 1% from July 1980, according to a report released by the Association of Home Appliance Manufacturers.

The following category shipments rose, however: freezers, 24.9%; microwave ovens, 36.3%; automatic washers, 9.8%; clothes dryers, 7.1%; electric ranges, 5.7%; refrigerators, 7.1%, and dishwashers, 3%.

Room air-conditioner shipments declined 50%.